

Memorandum

Date : **AUG 07 2003**To : 1. Jonas Minton, Deputy Director
2. Michael J. Spear, Interim DirectorFrom : Stein M. Buer, Chief *SMB*
Division of Flood Management
Department of Water ResourcesSubject : Flood Protection Corridor Program Competitive Grant Proposal Evaluations
and Recommendations for Funding

This is to request your approval of the evaluation of 45 proposals for competitive grants to be awarded from Proposition 13 funds through the FPCP, completed by the Flood Protection Corridor Program Project Evaluation Team and management staff from the Division of Flood Management. The 45 proposals seek a total of \$143.6 million in grant funding, while the FPCP has remaining allocable funding in the amount of \$29.2 million. The evaluation team has ranked the projects and prioritized them with respect to wildlife habitat values and agricultural land conservation, and DFM management staff has developed criteria for determining which projects are a priority for flood management. Additionally, DFM management is recommending funding amounts for the priority projects. These evaluations, rankings, and recommendations have been formulated in conformance to the regulations for competitive grant allocations for the FPCP as set forth in Title 23, California Code of Regulations, Division 2, Sections 497.1 through 497.12, inclusive submitted to the California Office of Administrative Law on July 29, 2003 for approval and filing with the California Secretary of State.

Pursuant to these regulations, your approval is requested for the criteria used in determining priority projects. These criteria define which projects are assigned to the "A" List (the list of projects to be funded first) and which projects by default make up the "B" List as specified in Section 497.6 of the FPCP competitive grant regulations. Pursuant to Section 497.3 (g) of the regulations, your approval is also requested to hold public hearings to consider funding the projects on the "A" List in the amounts recommended by DFM management staff, which are in some cases less than the amounts requested by the project sponsor, with funding to occur in the rank order presented on the list until the available \$29.2 million is committed to projects. Partial funding of some of the projects (i.e., providing less funding than was requested) would allow available funds to be directed to the activities most closely aligned with the purposes and goals of the FPCP, and to spread the funds to a greater number of projects. The formal decision whether to fund each project will come later, following a public hearing on each project, at the time funding agreements are presented for your signature.

With the available FPCP funding of \$29.2 million, 13 projects can be funded, if the amounts allocated to each project on the "A" List match the amounts recommended by DFM. If all 13 projects are able to accept the funds pursuant to negotiated funding agreements, every project on the "A" list will receive at least partial funding with the exception of the River Ranch project that was withdrawn by the project sponsor. (The River Ranch withdrawal letter is included in the River Ranch project summary following Table 2, the recommended list of preferred priority project for funding ("A" List)). If the 13 proposed projects are funded as recommended, project implementation would result in habitat improvement on 2,877 acres, conservation of 2,548 acres of wildlife habitat not currently protected, and conservation of 985 acres of agricultural land not currently protected. These wildlife habitat and agricultural land conservation benefits are in addition to the projects' anticipated flood management benefits.

Although approval of the preferred priority list of projects can move forward at this time, a number of parallel and sequential activities have to happen before contracts can be executed for the 13 projects recommended for funding with the remaining Flood Protection Corridor Program Proposition 13 funds. These activities include:

1. Approval of the Flood Protection Corridor Program regulations by the Office of Administrative Law and filing of the approved regulations with the Secretary of State. OAL has reviewed the proposed regulations once, and has provided guidance on the revisions needed for their approval. These requested revisions have been made, required notice has been provided to the public, and a final version of the regulations was submitted to OAL on July 29, 2003. OAL has 30 days to verify that appropriate changes have been made. We have requested a waiver of the 30-day waiting period for the regulations to take effect, so they should be effective upon OAL's approval and filing with the Secretary of State.
2. Concurrence from the Department of Fish and Game that the Preferred Priority List projects are a DFG priority for wildlife habitat conservation and/or enhancement. DFG staff members participated on the FPCP Project Evaluation Team, and these same DFG staff members have prepared a letter confirming their recommendations to be signed by the Director of DFG.
3. Public hearing in the vicinity of each project with hearing notice given to the county board of supervisors and to nearby residents and property owners.
4. Approval of the form and content of the contracts by DWR Contracts Services Office, Office of the Chief Counsel, DWR management, and the Department of General Services Legal Office. Service contracts require additional review by DGS. For 12 new contracts, these various levels of review could take some time.

In addition to completion of the above activities, contract execution is dependent on the availability of budgeted funds. Because of potential time delays in completing the four prerequisites listed above, some of the appropriated funding that was reserved at the end of FY 2002-03 may revert before contracts can be executed. Up to \$24 million could revert. If this happens, FY 2004-05 is the earliest these funds could be re-budgeted. The contracts will contain language that links the State's obligation to the availability of funds. As a contingency, the Division of Flood Management has submitted a Budget Change Proposal Concept Paper to request up to \$24 million in funding for 2004-05.

The proposed projects that appear on the two lists were submitted to DWR on or before February 14, 2003, in response to a solicitation of proposals distributed in November 2002. Two of the 45 projects were subsequently withdrawn (the Lower Mokelumne Riparian Restoration project and the River Ranch project), narrowing the list of active requests for grant funding under the FPCP to 43 and the amount requested to \$136 million.

All of the projects were evaluated for effectiveness in fulfilling the purposes of the FPCP. These purposes are to implement primarily nonstructural solutions to reduce or manage flood risk; to preserve or enhance wildlife habitat in floodplains, conveyance channels and adjacent uplands; and to conserve agricultural land. Project Evaluation Team members who ranked the proposals represent the Department of Water Resources, CALFED, the Governor's Office of Emergency Services, the Department of Fish and Game, the Department of Conservation, and the Department of Food and Agriculture. Scoring criteria for project ranking purposes are contained on the grant application form in the FPCP competitive grant regulations.

In addition to the evaluation and scoring of the proposals by the Project Evaluation Team, DFM management and The Reclamation Board's General Manager reviewed and provided input to the staff recommendations presented in this letter for Director approval. Staff and management met twice, on June 24 and July 1, 2003, to supplement the work of the Project Evaluation Team with the resolution of policy issues pertaining to the funding recommendations. Management consensus on the policy issues discussed and recommendations as to funding amounts for the individual proposals are attached in the form of summaries of the two meetings. The withdrawal of the River Ranch project prompted additional meetings on July 28 and 29, 2003 to reallocate the funds that would have gone to the River Ranch project. The \$4.5 million was allocated as follows: \$1 million to Middle Creek for additional flood benefits; \$2.5 million to the Dos Lagos (Bedford and Temescal Washes) project that had previously not been in a position to receive funds because all previously available funds had been allocated to other projects on the A List with higher scores, and \$1 million to

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the Aliso Creek project, which similarly was not previously in line to receive funding because of the limited funding available. With the reallocation of the River Ranch funds, all remaining active projects on the A List will receive at least partial funding.

All of the projects on the "A" and "B" lists have been reviewed in the field. All provide flood management benefits and either wildlife conservation benefits or agricultural land conservation benefits, or both. They are spread geographically throughout California from Shasta County in the north to San Diego County in the south.

Twelve attachments are included for your reference, beginning with a list of attachments.

After the public hearings have been held for each project, if significant adverse public opposition to any of the projects is raised and resolution cannot be reached for specific projects, staff may reconsider our recommendation to fund any or all of those projects. Depending on the nature of public response (support or opposition), a request for final approval of those projects recommended for funding will be sent to you with funding agreements to allow the projects to proceed and FPCP local assistance funds to be disbursed, subject to the availability of appropriated funds.

If you have any questions, please contact Earl Nelson, FPCP Manager, at (916) 574-1244 or you may contact Bonnie Ross, Environmental Scientist for DFM's Environmental Services Branch, at (916) 574-1301.

APPROVAL RECOMMENDED:

APPROVED:


Jonas Minton
Deputy Director
Date 8/11/03


Michael J. Spear
Interim Director
Date 8/14/03